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Reforming U.S. Development Policy: Four Critical Fixes

By Nancy Birdsall, Stewart Patrick, Milan Vaishnav

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ABSTRACT

Contrary to expectations when it came into office five years ago, the Bush administration has devoted substantial attention and resources to global development. Examples include orchestrating the biggest percentage increase in U.S. foreign aid since the Marshall Plan. Despite some progress on the size of the U.S. aid budget, however, U.S. development policy, more broadly defined than aid policy, suffers from four debilitating weaknesses. These are: the relatively low volume and poor quality of U.S. assistance; the limited progress on U.S. trade, migration, technology, environmental and other policies that profoundly affect developing countries; the failure to implement a coherent strategy for institution building in the developing world's 50-odd weak and failing states; and the U.S. penchant for unilateral over multilateral action. The Bush administration recently announced a change in the management arrangements for U.S. foreign aid. This and any subsequent changes ought to be assessed against their potential to address these four shortcomings in overall U.S. development policy. If President Bush works with Congress to correct these deficiencies, he will strengthen the capacity of the United States to make an enduring contribution in the fight against global poverty, and keep that fight in line with the country's historic tradition of global leadership.

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Reforming US Development Policy: Four Critical Fixes [1]

By Nancy Birdsall, Stewart Patrick and Milan Vaishnav[2]

[1] This paper is an elaboration and extension of an address by Nancy Birdsall on "American Power and Global Development," as part of the series 'America and the World: Ethical Dimensions to Power,' co-sponsored by the Carnegie Council on Ethics and International Affairs and Eckerd College, April 12, 2005.

[2] Nancy Birdsall (nbirdsall@cgdev.org) is President of the Center for Global Development. Stewart Patrick (spatrick@cgdev.org) is a Research Fellow at CGD. Milan Vaishnav (mv2191@columbia.edu) is a doctoral candidate in political science at Columbia University and former Special Assistant to the President of CGD. We thank Steve Radelet, Todd Moss, Lawrence MacDonald, David Roodman and Kaysie Brown for thoughtful comments on this paper, and Gunilla Patterson for technical assistance.

Reforming US Development Policy: Four Critical Fixes

Nancy Birdsall, Stewart Patrick, and Milan Vaishnav

The Bush administration has recently announced a change in the organization of U.S. foreign assistance policy, including the appointment of a foreign aid coordinator reporting directly to the Secretary of State.[3] The reform is intended to make U.S. assistance more coherent and, more broadly, to render development policy a more effective instrument of U.S. foreign policy. Ideally, the proposed reorganization of foreign aid is simply the first step in a more fundamental overhaul of the U.S. approach to global development. To make a tangible difference in alleviating global poverty, any reform effort must address four critical weaknesses in current U.S. policy.

The Bush administration's emphasis on foreign assistance is something of a surprise.[4] When George W. Bush entered office in 2001, after all, few observers expected the new president to prioritize international development. Candidate Bush had campaigned on a pledge to curb American "nation-building" efforts abroad and represented a conservative wing of the Republican Party that has long regarded foreign aid as a wasteful and ineffective use of taxpayer dollars. In an influential article in *Foreign Affairs* in winter 2000, then-Bush foreign policy advisor Condoleezza Rice defined the priorities for a future GOP foreign policy. Nowhere did she discuss the U.S. interest in advancing global development. In fact, she barely mentioned the continent of Africa.[5]

Fast-forward five years and the picture is dramatically different. The United States is leading major nation-building efforts in Afghanistan and Iraq and participating in several smaller-scale efforts in places like Haiti, Liberia, and now Sudan. On amounts committed to development assistance, this President has far exceeded expectations. The Bush Administration has doubled overall aid to Africa, introduced new programs such as the Millennium Challenge Account and a presidential initiative to address the spread of HIV/AIDS, and taken tentative steps to improve U.S. capacities to promote the recovery of war-torn societies. At the July 2005 G-8 summit in Gleneagles, Scotland, the administration won over some of its long-time critics by re-committing the United States to a doubling of U.S. aid to Africa by 2015 and agreeing to erase 100% of the debt burdens of the world's most highly indebted countries.[6] For anybody who believes that aid can soften the plight of the world's poor, these steps are welcome indeed.

Despite these changes, the current U.S. approach to development suffers from four critical weaknesses. First, both the quantity and quality of U.S. foreign aid leave much to be desired.

[3] Condoleezza Rice, "Transformational Diplomacy," Remarks at the Georgetown School of Foreign Service, January 18, 2006. Condoleezza Rice, "Remarks on Foreign Assistance," January 19, 2006.
[4] See Steven Radelet, "Bush and Foreign Aid," *Foreign Affairs* (September/October 2003), pp. 104-117.
[5] Condoleezza Rice, "Promoting the National Interest," *Foreign Affairs* (January/February 2000), pp. 45-62.
[6] It should be noted that these promises at Gleneagles were not new commitments, but rather reflected what the administration had already committed to do -- or was well on the way to accomplishing. See Steven Radelet and Bilal Siddiqi, "U.S. Pledges of Aid to Africa: Let's Do the Numbers," Center for Global Development, CGD Notes (July 2005). http://www.cgdev.org/files/2870_file_Accounting_for_Aid25.pdf.

Despite recent increases in development assistance, the United States still ranks 21 out of the 22 donor nations of the OECD in terms of aid as a percentage of gross national income. Too much of U.S. assistance, moreover, is "tied" aid, which does little to build local capacities, alleviate poverty or advance sustained growth. Instead of promoting "transformational development," most U.S. aid for Africa funds humanitarian relief, technical assistance, debt forgiveness, and the shoring up of strategic allies.[7] In Washington, the management and disbursement of U.S. aid is hampered by a fragmented and disorganized system in which 17 governmental agencies run foreign assistance programs.[8] The blame for this fragmentation and incoherence of U.S. aid policy rests at least as much with the legislative as the executive branch, as powerful congressional committees over time have generated a vast array of earmarks and mandates motivated by domestic political considerations bearing little relationship to development.[9]

Second, U.S. performance in promoting development through means other than aid remains mediocre. Aid, of course, is only one instrument – and not even the most important -- in reducing global poverty. Donor policies toward trade, migration, the environment, technology, investment, and security can also help stimulate growth in developing countries. Unfortunately, when all of these factors are included the United States still lies merely in the middle of the donor pack relative to its potential, according to the widely-respected Commitment to Development Index.[10]

Third, current U.S. development policy does little to address the problem of weak and failing states, which today pose some of the greatest threats to U.S. national security.[11] The Bush Administration has focused its development policy on so-called "good performers," creating the MCA to reward those countries that implement sound political and economic policies (some 23 countries are eligible in fiscal year 2006) and through its HIV/AIDS program for 15 focus countries. By contrast, the US has not yet developed a coherent government-wide strategy to encourage peace, democracy and open markets in countries that lack effective institutions of governance and are incapable of delivering basic security, stability, and welfare to their citizens. As the examples of Afghanistan, Bolivia and Sudan show, weak and failing states can generate a host of transnational challenges -- from terrorism to drug trafficking to genocide.

Finally, the United States undercuts the effectiveness of its development policy -- and its standing in the world – by relying too heavily on unilateral approaches at the expense of more promising multilateral options. This political failure to engage with multilateral institutions and key allies imposes high transaction costs on developing countries, hinders the U.S. ability to

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[7] Jeffrey D. Sachs, "The Development Challenge," *Foreign Affairs* (March/April 2005), pp. 78-90.

[8] Carol Lancaster, *Transforming Foreign Aid: United States Assistance in the 21st Century* (Washington: Institute for International Economics, 2000); Steve Radelet, *Challenging Foreign Aid: A Policymaker's Guide to the Millennium Challenge Account* (Center for Global Development: 2003). In fact, the 2002 DAC peer review says upwards of 50 separate US government units have their own foreign aid programs.

[9] Radelet, *Challenging Foreign Aid.*

[10] The Center for Global Development and Foreign Policy Magazine, "Ranking the Rich 2005," *Foreign Policy* (September/October 2005), pp. 76-83. David Roodman, "An Index of Donor Performance," Center for Global Development Working Paper 67 (August 2005).

[11] Commission on Weak States and U.S. National Security, *On the Brink: Weak States and U.S, National Security* (Washington: Center for Global Development, 2004). Stuart Eizenstat, John Edward Porter, and Jeremy Weinstein, "Rebuilding Failed States," *Foreign Affairs* (January/February 2005).

leverage its resources, reduces options for delivering aid through more effective and less political channels, and undermines the soft power that for decades came from the perception that the United States was a benevolent and disinterested leader.

This essay details the shortcomings of current U.S. development policy and offers suggestions on what the United States can do to remedy them. The arguments laid out here have immediate policy relevance. Under the broad theme of "transformational diplomacy," Secretary of State Condoleezza Rice has recently announced plans to bring greater coherence and strategic vision to U.S. foreign assistance policy. By consolidating control of most U.S. foreign aid under a single State Department office, she seeks to make foreign assistance a more effective tool of U.S. foreign policy objectives.[12]

To be credible in addressing global poverty, however, any administration reform plan must go beyond simply streamlining foreign aid. It will need to provide remedies for the four shortcomings in U.S. development policy identified in this paper. Superficial alterations, without attacking the deep-seated problems laid out here, will not result in any significant enhancement of U.S. development policies.

Any effort to rationalize U.S. development policy will also require a significant push from senior administration officials, beginning with the President himself, as well as far-sighted leadership from the congressional authorizers and appropriators whose approval will ultimately be essential to the success of any effective reform plan. Fortunately, both President Bush and Congressional leaders can rely on the good will of the American people to support them in this endeavor. Contrary to conventional wisdom that U.S. citizens are indifferent to poverty in distant lands, recent polls by the Program on International Policy Attitudes suggest that Americans of all political stripes support a generous and effective U.S. development policy.[13] History shows that when the President takes leadership on development, he can be effective with Congress.

With the public's support in hand, the Bush Administration and Congress have an historic opportunity to rationalize U.S. development assistance and with it overall development policy. The modest but critical steps outlined in this paper help restore American leadership on global development and enhance the power and prestige of the United States in both rich and poor countries. Such a policy of enlightened self-interest would be fitting for the nation that led the creation of the great post-World War II organizations, including the United Nations and the Bretton Woods institutions.

We begin by making the case for why development matters for the United States and proving that success is possible. We then outline four areas in which U.S. development policy currently falls short, and conclude by offering suggestions on how to plug these gaps moving forward.

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[12] Condoleezza Rice, "Transformational Diplomacy," Remarks at the Georgetown School of Foreign Service, January 18, 2006. Condoleezza Rice, "Remarks on Foreign Assistance," January 19, 2006. Bradley Graham and Glenn Kessler, "Rice Explains Aid Restructuring to USAID Employees," *Washington Post*, January 20, 2006.

[13] In the abstract, at least, sixty-five percent of Americans endorse increasing U.S. foreign assistance to 0.7 percent of U.S. gross domestic product, provided that other nations follow suit. A similar majority supports U.S. efforts to cut farm subsidies, implement the Millennium Development Goals (MDGs), and limit greenhouse gas emissions. See Program on International Policy Attitudes, "Americans on Addressing World Poverty," June 30, 2005; and "Americans on Climate Change," July 5, 2005.

Why Development?

In previous decades it was possible to argue, however misguidedly, that the fate of the world's poorest societies had little impact on U.S. national interests. Today there is a broad bipartisan consensus that the United States has a strategic, economic, and moral stake in the battle against global poverty and the struggle to support capable, well-governed states in the developing world. There is also a growing consensus that well-designed development interventions can work.

President Bush gave eloquent testimony to this new consensus at the Monterrey summit on Financing for Development in March 2002. In his words:

> We fight against poverty because hope is an answer to terror. We fight against poverty because opportunity is a fundamental right to human dignity. We fight against poverty because faith requires it and conscience demands it. We fight against poverty with a growing conviction that major progress is within our reach.[14]

America's strategic, economic and moral interests in global development are longstanding and growing. From its origins in the Marshall Plan and the Alliance for Progress, U.S. development policy has been intimately linked to U.S. national security policy. By fostering economic opportunity, good governance and social welfare abroad, the United States can reduce the sources of political tension and violent conflict and the forces of disintegration that might otherwise spill over national boundaries. In addition to these strategic benefits, development pays economic dividends. Over the past forty years, the proportion of U.S. GDP from trade has tripled, and almost 45% of our exports today go to developing countries. As never before, our economic well-being depends on the ability of citizens in those countries to purchase U.S. goods.

Finally, the United States has a fundamental moral interest in helping the citizens of other countries acquire the skills and resources they need to shape their own economic and social development. As the world becomes interconnected, the plight of the world's poor is increasingly before our eyes and demands a response from the generous spirit of the American people. By responding to the challenge of development, the United States enhances its safety, prosperity and reputation as an open and giving nation. In contrast, as the administration recognizes, "A world where some live in comfort and plenty, while half of the human race lives on less than two dollars a day, is neither just nor stable."[15]

The terrorist attacks on the United States of September 11, 2001, revealed in stark terms the U.S. interest in promoting global development. The al Qaeda terrorists who inflicted such heavy damage on the United States exploited Afghanistan, one of the world's poorest countries. While the precise causal links between poverty, state weakness and terrorism remain to be established, there is little question that terrorists have employed weak and failing states for recruitment,

[14] George W. Bush, Remarks at United Nations Financing for Development Conference, March 22, 2002.
[15] The White House, *National Security Strategy of the United States of America* (September 2002).

training, logistics, operations, and other purposes.[16] For the Bush administration, the lesson was clear: The United States "is today more threatened by weak and failing states than we are by conquering ones."[17] A comprehensive strategy to defeat terrorism cannot be limited to beefing up homeland security, attacking terrorist havens, and tracking terrorist finances. It must also seek, in the White House's words, to deprive these organizations of recruits by "diminishing the underlying conditions that terrorists exploit," including "poverty, social disenfranchisement…and weak state structures."[18] President Bush made the connection between U.S. security and poverty alleviation explicit in his speech to the UN High-Level Event in September 2005, declaring "We must help raise up the failing states and stagnant societies that provide fertile ground for the terrorists."[19]

If there is widespread agreement that we *should* support development, there remains great skepticism that we *can* promote it effectively. A large number of studies have cast doubt on whether the international community possesses the appropriate knowledge, instruments and leverage to actually alter the course of developing countries toward the path of sustained growth – much less fully fledged market democracy.[20] These arguments have a venerable pedigree in the political arena as well. In 1945, Senator Robert Taft -- speaking of the International Monetary Fund -- first equated using U.S. taxpayer dollars to advance economic development to "pouring money down a rat hole."[21] This critique has resonated on Capitol Hill ever since.

There is no doubt that the record of development efforts – and particularly foreign aid – is uneven. But much criticism that foreign assistance failed to foster development is off the mark, for the simple reason that a good deal of aid is meant to serve the purposes of providing short-term humanitarian relief or shoring up friendly regimes, rather than to advance true growth and poverty reduction. In a recent influential paper, which controls for the purposes of aid, researchers at the Center for Global Development find that development assistance truly geared to growth -- for example, for infrastructure and short-term budget assistance -- does have a measurable *positive* impact on growth in poor countries.[22]

Although the question of how to encourage the institution building that is critical to sustainable long-term growth in poor countries has no easy answer, success with specific, focused interventions that improve welfare and save lives has been notable. Global health is a case in point. The evidence shows that well-designed health interventions can be remarkably effective in saving the lives of millions around the world, by improving the capacities of governments and

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[16] Ray Takeyh and Nicholas Gvosdev, "Do Terrorist Networks Need a Home?," *The Washington Quarterly* 25.3 (Summer 2002), pp. 97-108.
[17] The White House, *National Security Strategy of the United States of America* (September 2002).
[18] The White House, *National Strategy for Combating Terrorism* (February 2003); The White House, *Progress Report on the Global War on Terrorism* (September 2003).
[19] George W. Bush, Remarks at United Nations High-Level Plenary Meeting, September 14, 2005.
[20] William Easterly, *The Elusive Quest For Growth: Economists' Adventures and Misadventures in the Tropics*, (Cambridge: MIT Press, 2001).
[21] Richard N. Gardner, *Sterling-Dollar Diplomacy in Current Perspective* (New York: Columbia University Press, 1980) pp. 129-132.
[22] Michael Clemens, Steven Radelet and Rikhil Bhavnani, "Counting Chickens When They Hatch: The Short-Term Effect of Aid on Growth," Center for Global Development Working Paper 44 (July 2004).

providers to launch preventive health measures and control communicable diseases like tuberculosis and measles.[23]

Four Weaknesses of U.S. Development Policy

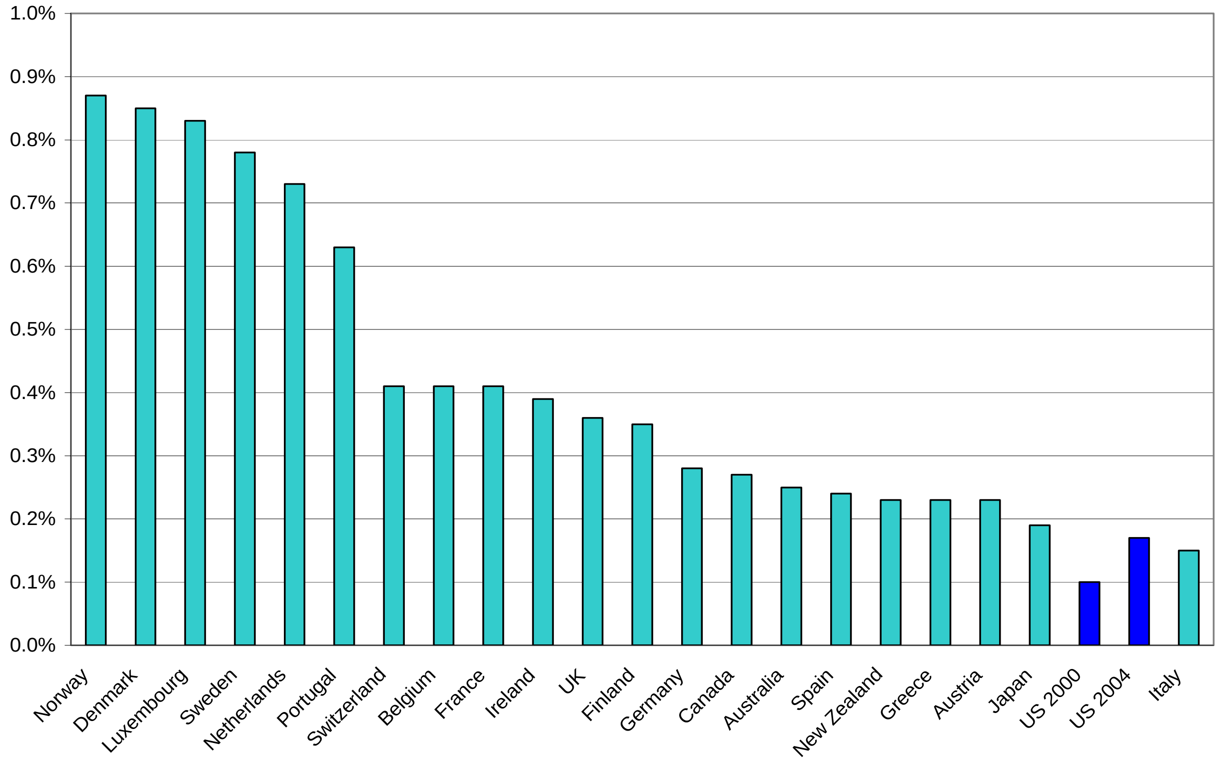
In any self-help program, the road to recovery lies in first admitting your faults.[24] In early 2006, the Bush administration -- like nearly every other administration over the past forty years -- announced a plan to reorganize U.S. foreign assistance policy. Simply moving boxes on an organizational chart will have little impact, however, unless it simultaneously addresses four main areas where U.S. development policy has fallen short. Any recommended reforms should be judged according to whether they promise to make a tangible difference in correcting these longstanding deficiencies

Quantity and Quality of Aid

The most obvious starting point is the quantity of U.S. development assistance. Despite a recent uptick, U.S. overseas development assistance (ODA) amounts to just $.16 for every $100 of GDP. To put this in perspective, this places the United States 21 among the world's 22 richest countries, in terms of aid as a proportion of gross national income (GNI) in 2004 (See Figure 1).

[23] Ruth Levine and the What Works Working Group with Molly Kinder, *Millions Saved: Proven Successes in Global Health* (Washington: Center for Global Development, 2004).
[24] USAID admitted some of these faults in its 2004 white paper, "US Foreign Aid: Meeting the Challenges of the Twenty-First Century".

Figure 1: Net Official Development Assistance as a Percentage of Gross National Income 2004 (%)



Source: OECD-DAC Database, Table 1.

Thanks to recent increases associated with the Millennium Challenge Account and new HIV/AIDS spending, the trend-line is improving—but from an embarrassingly low base for the leader of the free world.[25] In any event, since 1997, total U.S. foreign aid has risen by 75%, but still amounts to only fifteen cents per American per day -- compared to 89 cents for the average Dane or even 29 cents for the average Briton.

Nor does private giving make up for official U.S. miserliness. Although Americans are a generous people, their contributions to international charities amount to only an additional six cents a day per person -- more than private giving in other high-income countries but not enough to make up for low public flows. International grants from U.S. foundations and corporations contribute another few cents. Private remittances from resident aliens in the United States, while

[25] This critique of U.S. development assistance applies equally to Democratic and Republican administrations—both have repeatedly under-funded U.S. aid programs. A 2003 study by Markus Goldstein and Todd Moss found that average flows of U.S. ODA—in real terms—have historically been higher when one party held the White House and the Senate and/or the House. See Markus P. Goldstein and Todd J. Moss, "The Surprise Party: An Analysis of US ODA Flows to Africa," Center for Global Development Working Paper 30 (July 2003). Low U.S. foreign aid budgets compared to Europe seem to be in part the outcome of the U.S. presidential system, in which the executive branch does not reflect and reinforce legislative majorities or coalitions. See Carol Lancaster's forthcoming book, *Foreign Aid: Diplomacy, Development, Domestic Politics* (Chicago: University of Chicago Press, 2006).

important for development, cannot be included as an indicator of U.S. "generosity," for they represent the repatriation of foreign earned income.[26]

When it comes to aid, *quality* is as important as quantity. Measuring how much assistance the United States delivers is straightforward. Gauging quality is more complicated, since it requires assessing the composition, coherence, conditions, and coordination of U.S. aid. There are at least three problems with the quality of U.S. aid, as outlined in the following paragraphs.

<u>"Buy American."</u> One of the most counterproductive aspects of U.S. policy is a heavy reliance on so-called "tied aid," which requires that much of the country's official development assistance must be spent on the purchase of American goods and services. America's Food for Peace program, which delivers humanitarian relief in the form of surplus U.S. farm commodities, is perhaps the best example, although the problem goes much deeper. Experts on aid effectiveness have long argued that donors should eliminate this harmful practice, calculating that it reduces the overall value of aid by 15-30 percent.[27] Untying aid would allow poor countries to purchase the most efficient and cost-effective goods and services necessary for their development projects from whatever domestic or international source the country chooses.[28] A few countries, including Great Britain, have eliminated the practice of tying aid entirely. But others, including the United States, continue to perpetuate this harmful habit. The United States ranks near the bottom among donor nations on this criterion, tying a whopping 77% of its bilateral aid to U.S. suppliers and service providers. Rather than building capacity and markets abroad, too much U.S. "foreign" aid supports our own home-grown consultants and contractors. This can have detrimental effects on local capacity, particularly in post-conflict countries like Afghanistan, where the United States and other donors too often succumb to the temptation to deliver quick but transitory results through their own service providers at the expense of building the local institutions and skills needed for long term, sustained growth.[29] As USAID Administrator Andrew Natsios has complained, insisting on tying U.S.-provided food aid has other, perverse effects, such as preventing the United States from achieving fast results through spending cash (rather than delivering food) in crisis situations.[30]

<u>Too many projects.</u> One of the biggest problems poor countries confront today is the proliferation of development actors and projects. In contrast to the early days of development, when the United States was by far the dominant actor, countries on the receiving end of foreign aid must contend with dozens of official creditors, bilateral donors, United Nations agencies, and international NGOs, each working across a large number of sectors through an ever-proliferating number of often uncoordinated, donor-driven projects. For poor countries with limited state capacity, merely keeping up with the reporting requirements of the donor community – much

[26] The Center for Global Development and Foreign Policy Magazine, "Ranking the Rich 2005," *Foreign Policy* (September/October 2005), pp. 76-83. Steve Radelet, "Think Again: U.S. Foreign Aid," *Foreign Policy* (January/February 2005).
[27] Catrinus Jepma, *The Tying of Aid* (Paris: OECD Development Center, 1991).
[28] See Nancy Birdsall and Todd Moss, "America's Critics Also Favor Their Own Firms: Iraq Contracts and 'Tied Aid,'" *International Herald Tribune*, January 13, 2004.
[29] Ashraf Ghani, Clare Lockhart, and Michael Carnahan, "Closing the Sovereignty Gap: An Approach to State-Building," Overseas Development Institute Working Paper 253 (September 2005).
[30] Andrew Natsios, Remarks at Center for Global Development event, "Can Food Aid Be a More Effective Development Tool?," December 9, 2005.

less ensuring the coordination and harmonization of their efforts -- requires a Herculean effort. Every year, for example, Tanzania hosts thousands of separate aid projects, many of which require individual reporting, creating a huge administrative burden. To prevent visiting aid delegations from overwhelming its national development efforts, in the spring of 2003, the Tanzanian ministry of finance announced an annual “quiet time” from April-August each year, declaring it would receive only urgent missions during this period.[31] Although the United States is among the better donors in terms of the size of its projects,[32] Congressional oversight and restrictions make it virtually impossible to co-finance programs and projects with other donors. As a result, the United States does not develop unified, sector-wide programs with other donors. This is compounded by the fact that the newly established Millennium Challenge Corporation ends up contributing to the proliferation of foreign aid projects in eligible recipient countries, rather than joining with other donors to finance comprehensive programs.

<u>Too many cooks.</u> One of the more troubling trends in U.S. foreign assistance policy has been the fragmentation of responsibility in Washington for designing, delivering and implementing such aid. Although the United States possesses an Agency for International Development (USAID), foreign assistance flows through a host of other U.S. government departments, often with minimal coordination. Depending on the issue – prevention of HIV/AIDS in Lesotho, police training in Afghanistan, eradication of coca plants in Colombia, or workplace safety issues – the design and implementation of assistance programs can involve any one of a dozen agencies, from USAID to the Departments of State, Defense, Justice, Education, Energy, Health and Human Services, Labor, and Treasury—not to mention the new Millennium Challenge Corporation, the Peace Corps, the U.S. Trade Representative, and export credit agencies like the Export-Import Bank and Overseas Private Investment Corporation. The U.S. Embassy in South Africa, to pick one example, includes the presence of more than two dozen government agencies and departments, many running their own aid programs.[33] When you factor in the multiple executive departments and agencies involved in foreign assistance, the relevant legislative bodies and the White House apparatus, the array of actors is mind-boggling.

To compound this diffusion of responsibility, USAID—America’s principal aid agency—has been severely weakened over the years thanks to a dramatic downsizing in its number of direct hires (including a 40% decline since 1990), as well as a long list of explicit and implicit Congressional mandates and earmarks that hamstring the agency’s operations. Besides depriving USAID of its once impressive in-house technical expertise, these changes have rendered US aid programs more expensive, less effective, and less influential than they ought to be.[34] The Bush Administration’s decision to create a stand-alone agency to manage the new Millennium Challenge Account (MCA) and a new State Department coordinator to run the President’s

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[31] Nancy Birdsall and Brian Deese, “Hard currency: Unilateralism Doesn’t Work in Foreign Aid Either,” *Washington Monthly*, March 2004. David Roodman, “Aid Project Proliferation and Absorptive Capacity,” Center for Global Development Working Paper (forthcoming 2006).

[32] Fewer than 1% of U.S. aid dollars were committed to development projects cost under $100,000, implying that U.S. aid is more concentrated and less diffuse than aid from its fellow donors. See David Roodman, “An Index of Donor Performance,” Center for Global Development Working Paper 42 (June 2004).

[33] Princeton N. Lyman, “The Growing Influence of Domestic Factors,” in Stewart Patrick and Shepard Forman, eds., *Multilateralism and U.S. Foreign Policy: Ambivalent Engagement* (Boulder: Lynne Rienner, 2002).

[34] Commission on Weak States and U.S. National Security, *On the Brink: Weak States and U.S. National Security* (Washington: Center for Global Development, 2004).

Emergency Plan for AIDS Relief (PEPFAR) -- both reflective of the low regard in Washington for USAID's current capabilities -- have added new layers to the aid bureaucracy.

Further compounding the "too many cooks" problem is the proliferation of subcommittees on Capitol Hill that now have a hand in the foreign assistance business, which complicates the efforts of the White House (much less the State Department or USAID) to achieve policy and programmatic coherence with the limited resources available for development. During the mid-1990s, for example, one subcommittee added 150 separate mandates to USAID, including the requirement that every clinic funded by the United States in a developing country needs to be consistent with the provisions of the Americans with Disabilities Act requiring wheelchair access.

We believe a complete overhaul of the organization of U.S. foreign assistance cannot be avoided. That must start with rewriting the Foreign Assistance Act of 1961.[35] Given the separation of powers under the U.S. Constitution, the biggest hurdle for any foreign assistance reorganization is likely to come from Capitol Hill, where multiple subcommittees have an institutional interest in preserving their control over the development pie. Breaking this logjam will require forceful leadership from the President of the United States himself, and early and sustained engagement between the White House and bipartisan Congressional leadership.

Policy Coherence[36]

While aid might be the most visible instrument of U.S. development policy and the one that attracts the greatest scrutiny, it is but one arrow in America's development quiver. The Commitment to Development Index, an annual ranking of rich country development policies issued by the Center for Global Development and *Foreign Policy* magazine, measures the "development-friendliness" of donor countries across seven policy areas.[37] In addition to aid, these include trade, investment, migration, the environment, security and technology. We briefly summarize how the United States performs across these clusters.

<u>Trade</u>. The United States performs quite well in terms of openness to exports from developing countries: only three donor countries present lower barriers to their markets. In fact, trade is the brightest spot for the United States among the seven components of the Index. Sadly, this has less to do with the superiority of U.S. trade policies than with the shortcomings of rich countries in Europe and Asia, whose markets are even more heavily protected.[38] The United States has done quite a few things right in recent years, such as implementing the African Growth and Opportunity Act (AGOA), a system of one-way trade preferences that grants most sub-Saharan African countries enhanced access to U.S. markets without asking much of anything in return. However, tariff barriers to products in "sensitive" sectors such as agriculture, textiles, and

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[35] Radelet, "Bush and Foreign Aid," *Foreign Affairs* (September/October 2003).
[36] The following section benefits greatly from research and analysis conducted by David Roodman and the team creating the Commitment to Development Index (CDI) project at the Center for Global Development. See David Roodman, "An Index of Donor Performance," Center for Global Development Working Paper 67 (August 2005).
[37] The aid component of the CDI rewards aid quantity/GDP, aid quality (in terms of tying; selectivity for poor, well-governed countries; and project "nonproliferation"), and tax incentives for private charity, including tax deductions and low taxes overall. The 2005 CDI is available online at: http://www.cgdev.org/content/publications/detail/3647/.
[38] William Cline, *Trade Policy and Global Poverty* (Center for Global Development: 2004).

apparel—in addition to subsidies to large agribusiness firms—continue unabated in the United States. The 2002 Farm Bill, which was passed by Congress and signed by the President, awarded $12 billion in subsidies to American agricultural producers, 80% of which went to large producers—those with more than 500 acres of land. Seventy-eight agribusiness firms received more than $1 million each.[39] Often, it appears, the United States gives with one hand only to take away with the other. During early 2005, for example the United States committed some $900 million for countries hit by the tsunami. Yet in the same year it took $1.8-2.0 billion in tariff revenue from those same countries.[40] So U.S. trade policy faces serious shortcomings, but those shortfalls are less egregious than some of its donor partners when it comes to agricultural protection and barriers to free trade.[41]

Investment. The investment component of the Index measures the extent to which rich countries put into place policies that encourage investment in poorer countries to facilitate technology transfer, management upgrades, and job creation. Again, the United States performs quite well in this category. It is a signatory to most international anti-corruption agreements; provides support for the design of securities regulations and institutions in developing countries; and pursues policies that work to prevent the double taxation of corporate profits earned abroad. The United States is far from perfect however, ranking fifth among its peers in this category. Among other shortcomings, the United States imposes substantial limits on the eligibility for coverage by quasi-official political risk insurance that it provides to U.S. companies seeking to invest in developing countries. For instance, the Overseas Private Investment Corporation (OPIC) -- the principal US government instrument that supports non-extractive foreign direct investment -- is statutorily precluded from playing an active role in the industries most beneficial to the poorest countries, including labor-intensive manufacturing and assembly projects. OPIC is also expressly forbidden to participate in any project where there is a "significant reduction in the number of employees in the United States."[42] These twin realities have forced OPIC to temper its involvement in sectors in developing countries that offer significant potential to create jobs.

Migration. The movement of people from poor to rich countries has been shown to have a significant impact on development—on both sides of the ledger. There are downsides to migration, such as the phenomenon of "brain drain," where migration can deprive developing countries of their most talented people.[43] But overall the positive benefits to migration seem to outweigh the negative aspects. Access to rich countries helps migrants develop important skills that are then transferred back to developing countries when they return. At its most basic level, access to developed countries like the United States can provide jobs, income, and knowledge to skilled and unskilled laborers from poor countries. Surprisingly, given its history, the United

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[39] According to recent work done by Kimberly Ann Elliott, the U.S. sugar program transfers nearly $120 million a year to two companies in Florida alone. See Elliott, "Big Sugar and the Political Economy of US Agricultural Policy," Center for Global Development Policy Brief (April 2005).

[40] See section on "A Tidal Wave of Aid," in "Ranking the Rich 2005," *Foreign Policy* (September/October 2005), pp. 76-83.

[41] The average cow in Japan receives $7 in subsidies per day; in Switzerland, $4. Foreign Policy Magazine and the Center for Global Development, "Ranking the Rich 2003," *Foreign Policy* (May/June 2003), pp. 56-66.

[42] Quoted in Theodore H. Moran, *Reforming OPIC for the 21st Century*, IIE Policy Analyses in International Economics 69 (May 2003).

[43] Devesh Kapur and John McHale, *Give Us Your Best and Brightest: The Global Quest for Talent* (Washington: Center for Global Development, 2005)

States is only an average performer when it comes to pro-migration policies—which range from providing access to developing country immigrants to proving aid to refugees and granting safe haven to asylum seekers in America. On the positive side, since the 1990s the United States has accepted a large influx of unskilled immigrants. And while post-9/11 immigration policies may have a long-tem chilling affect on America's ability to attract the best and brightest students from overseas, 77% of foreign students studying in the U.S. are from developing countries. On the other hand, the United States is not particularly generous when one factors in its overall population. In 2002, it had the highest inflows among wealthy countries of legal immigrants originating from developing countries, with nearly one million people coming to the States, yet as a proportion of its population—this figure is about average (10th out of 21) for rich countries.

Security. We have learned through painful experience in Afghanistan and Iraq that sustainable development is impossible without some basic threshold of security and public safety.[44] Civil war, protracted civil strife, insurgencies and armed rebel movements eat away at the monopoly of the state over the use of force. In such situations, constant insecurity can destabilize entire regions, uproot economic activity, incite massive refugee flows, and help to spread infectious diseases like HIV/AIDS.[45] The Index evaluates a country's performance on security by rewarding contributions to internationally-sanctioned peacekeeping operations and forcible humanitarian intervention and military protection of global sea lanes. On the other hand, the Index penalizes countries for their arms exports to poorly governed countries. Using these criteria, the United States finds itself once again in the middle of the pack—its contribution to global security ranks 8th among donors. Given that the United States is the world's largest military power and that that power extends to nearly every corner of the globe, it may come as a surprise to some that the United States does not rank 1st in this category. While U.S. financial contributions to peacekeeping are high, they are relatively modest when taken as a percentage of GDP. Also in the negative column are U.S arms exports to undemocratic countries such as Pakistan and Egypt. Finally, the massive U.S.-led military and reconstruction operation in Iraq is excluded from consideration, because the invasion of March 2003 was not given explicit UN Security Council sanction.

Environment. Research demonstrates that poor developing countries suffer most from environmental ills such as global warming and ecological deterioration and that it is the rich countries, on a per capita basis, that use the lion's share of the world's scarce resources. The Index uses proxy indicators such as greenhouse gas emissions, consumption of ozone-depleting substances, and subsidies for domestic fishing industries to measure a government's environmental policies. To account for the positive impact that rich countries might have on the environment, the Index rewards countries that have ratified major international agreements and contribute generously to multilateral funds that help poor countries comply with international environmental agreements. The United States ranks next to last (20 out of 21) in this category. The most visible demonstration of U.S. shortcomings is its failure to ratify the Kyoto Protocol on climate change, for which it is widely seen as an environmental pariah. Kyoto, however, is only one aspect of disappointing U.S. performance on the environment. The country's high

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[44] Barnett Rubin, "Constructing Sovereignty for Security," *Survival* 47, 4 (Winter 2005-6). Scott Feil, "Laying the Foundations: Enhancing Security Capabilities," *Winning the Peace: An American Strategy for Post-Conflict Reconstruction* (Washington, DC: CSIS, 2004).
[45] Commission on Weak States and U.S. National Security, *On the Brink.*

greenhouse gas emissions rates per capita, its low taxes at the gas pump, and its failure to ratify the UN Convention on Biodiversity also contribute to the low score.

Technology. The creation and dissemination of new technologies is the final measure of a donor country's development friendliness. New technologies -- like the Internet, innovations in telecommunications, and new vaccines for harmful diseases – can help accelerate development in poor countries. The Index measures the extent to which rich world governments support research and development (R&D) on new technologies (on the plus side) and maintain tough intellectual property rights regimes (which can inhibit transmission of technological advances). The United States government invests heavily in research and development, but more than half of this financing (around 55% in 2001) is devoted to defense R&D, which can be either positive or negative depending on the particular innovation.[46] For example, the Internet – which emerged from research done by the Department of Defense -- has had a massive benefit for developing countries. In contrast, developing the latest round of precision-guided munitions has a dubious impact on global development. Accordingly, the Index discounts defense R&D by 50%. Based on this formula, the United States ranks only 13th out of 21 donor countries. The mediocre U.S. score also reflects the rigidity of its patent and copyright regime and U.S. pressure in free trade agreement negotiations on developing countries to restrict theirs, which tends to restrict technological dissemination more than other rich countries.[47]

One possible conclusion from the aforementioned review of development friendliness is that the United States performs well compared with other donors when it comes to getting government out of the way, as in trade, or supporting the private sector, as with investment, but less well when the key to good performance is governmental activism (such as in aid and the environment), with the notable exception of security, where U.S. performance is better than average.[48]

Taking into account the disarray of current U.S. aid programs and the mixed record of overall U.S. public policy in advancing the stated objective of supporting prosperity abroad, we conclude that it is time to create a new, cabinet-level department dedicated to international development. The weakness of USAID under the current system is that it remains a sub-cabinet entity with little stature or authority over other agencies that play a role in fighting global poverty. A new Department for International Development along the British model would change this equation. It would integrate strategy and implementation of aid programs and ensure a development perspective in the Cabinet on the formulation of trade, environment, and other aspects of U.S. policy,[49] by making a single actor responsible for formulating, coordinating, and

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[46] Because the CDI is concerned with government policies, private sector R & D is not included in the Index calculations. However, various tax incentives provided by the government for private sector research are counted.

[47] In 2001, the United Kingdom created a Commission on Intellectual Property Rights to explore how IPR might advance poverty alleviation. http://www.iprcommission.org/home.html.

[48] We are indebted to David Roodman for this formulation.

[49] Creation of a Cabinet-level department was among the recommendations most discussed and finally agreed by the distinguished Commission on Weak States and U.S. National Security, organized by CGD in 2004 and co-chaired by former Deputy Secretary of the Treasury Stuart Eizenstat and former Congressman John Edward Porter. See *On the Brink: Weak States and U.S. National Security* (Washington: CGD, 2004).

integrating U.S. efforts across the federal government.[50] Beyond bringing coherence to U.S. development policy, a U.S. Department for International Development would pay soft power dividends by signaling the concern of the American people for the plight of the world's poor.

Dealing with the Difficult Countries

One of the Bush Administration's most highly touted initiatives on the development front has been the establishment of the Millennium Challenge Account (MCA), a new foreign aid initiative that rewards poor developing countries with increased assistance only if they have demonstrated progress in "ruling justly," "investing in people," and "promoting economic freedom" -- as measured by a range of political, social and economic indicators.[51] The MCA is the operational extension of recent studies in the economics literature that demonstrate that aid is most effective in countries with good institutions and that pursue prudent policies.[52]

In contrast, no coherent strategy has been implemented to deal with poorly performing states in the developing world. By now, the dangers posed by weak and failing states have been well-documented.[53] Beyond bringing violence and misery to their inhabitants, they are frequently incubators and transmission belts for multiple threats to U.S. and world security. They provide ideal hosts for transnational terrorists, as al Qaeda discovered in Afghanistan, Somalia and Sudan. They spawn insurgencies and humanitarian catastrophes that spill over their borders, as in Africa's Great Lakes region. They present lawless settings for criminal syndicates that traffic in drugs (like coca in Colombia), illicit commodities (like conflict diamonds in Sierra Leone) or human beings (as in the Balkans). They accelerate the spread of global pandemics, from HIV/AIDS to emerging diseases like SARS and avian flu. And they leave oil importing countries vulnerable to disruption of foreign energy supplies, such as the 33% of crude oil imports the United States gets from gets from Nigeria, Iraq, Angola and Venezuela.[54]

The 2004 report of the Commission on Weak States and U.S. National Security estimates that there are between fifty and sixty low-income countries that can be classified as "weak" in one or more respects.[55] Such countries suffer from critical gaps in three basic areas of state function: in the provision of physical security, the maintenance of political legitimacy, and the delivery of basic public services. In the security realm, they struggle to maintain a monopoly on the use of force, to protect their populations from external and internal threats, to control borders and territory, to ensure public order and to provide safety from crime. In the political realm, they lack governing institutions that provide checks on political power, protect basic rights and

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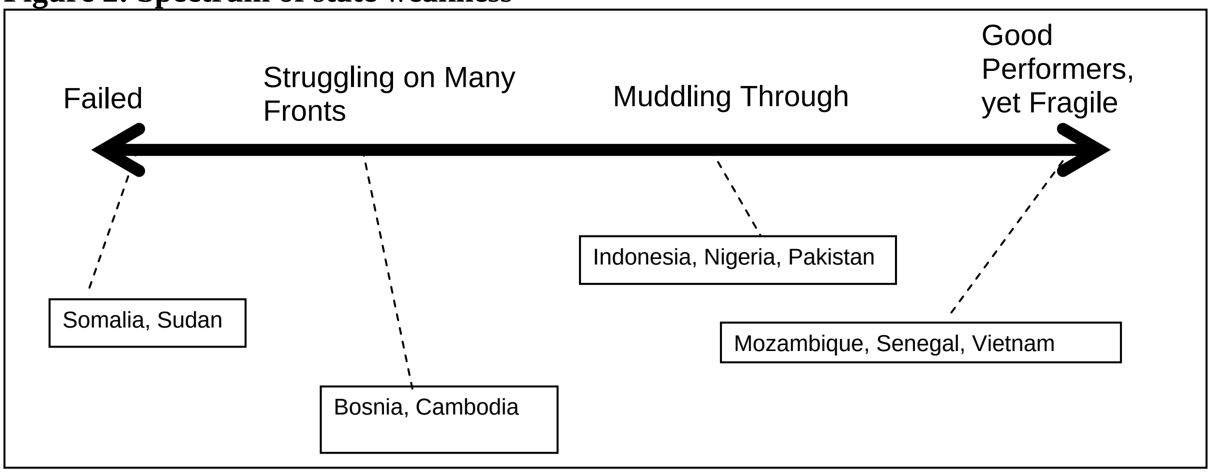
[50] Owen Barder, "Reforming Development Assistance: Lessons from the UK Experience," Center for Global Development Working Paper 70 (October 2005). Also see Commission on Weak States and U.S. National Security, *On the Brink: Weak States and U.S. National Security* (Washington: Center for Global Development 2004), p. 31.
[51] See the MCA Monitor web site maintained by the Center for Global Development at http://www.cgdev.org/section/initiatives/_active/mcamonitor
[52] Perhaps the most widely cited study is Craig Burnside and David Dollar, "Aid, Policies, and Growth," *American Economic Review* 90 (September 2000), pp. 847–68.
[53] Chester A. Crocker, "Engaging Failing States," *Foreign Affairs* (Sept/Oct 2003), pp. 32-44.
[54] Stewart Patrick, "Weak States and Global Threats: Fact or Fiction?" *The Washington Quarterly* (forthcoming: Spring 2006).
[55] Commission on Weak States and U.S. National Security, *On the Brink: Weak States and U.S. National Security* (Washington: Center for Global Development 2004).

freedoms, hold leaders accountable, deliver impartial justice and efficient administration, and permit broad citizen participation. Finally, in the economic realm, they strain to carry out basic macroeconomic and fiscal policies, to develop a legal and regulatory climate conducive to private enterprise and growth, and to deliver basic social services like health and education.[56]

State strength and weakness is relative, with countries falling along a broad spectrum of performance (See Figure 2). Failure is an extreme condition, experienced by perhaps a dozen countries that are faced simultaneously with security, capacity, and legitimacy gaps. On the opposite side of the spectrum are the so-called "good performers" or MCA-worthy countries. While not all receive MCA assistance, these countries have shown significant progress over the past decade or more. In between is a wide range of countries, stretching from post-conflict Bosnia, to newly democratic Indonesia, to crisis-prone Nigeria.[57]

Figure 2: Spectrum of state weakness



State weakness is not just a question of capacity to perform basic state functions, of course, but also of *will* to do so. One can think of numerous instances when otherwise promising countries -- contemporary Zimbabwe, for example -- have been dragged down by the despotism and corruption of authoritarian regimes.[58] To deal effectively with states situated "on the other side of the MCA," the United States needs to develop an integrated approach that promises not only to help fill glaring capacity gaps in weak states but also to shape the behavior of local elites who have a vested interest in the current dysfunctional situation. To be effective, such a strategy will need to rely less on foreign assistance -- given valid concerns about of corruption, leakage, and patronage -- and more on other instruments, like trade, migration, security, and so on.[59]

[56] Stewart Patrick, "Weak States and Global Threats: Assessing Evidence of 'Spillovers'" Center for Global Development Working Paper 73 (January 2006).
[57] Steve Radelet, "From Pushing Reforms to Pulling Reforms: The Role of Challenge Programs in Foreign Aid Policy," Center for Global Development Working Paper 53 (February 2005).
[58] Michael Clemens and Todd Moss, "Costs and Causes of Zimbabwe's Crisis," Center for Global Development Notes (July 2005).
[59] Steve Radelet has called for the United States to develop a set of foreign assistance strategies that differ across countries depending on their level of poverty, development priorities, quality of governance, vulnerability to political uncertainty, and their strategic interests to the United States. See Steven Radelet, "U.S. Foreign Assistance After September 11th," Testimony for the House Committee on International Relations, February 26, 2004. http://www.cgdev.org/doc/commentary/Radelet%20HIRC%20Testimony.pdf.

The components of such an integrated U.S. strategy, as outlined by the Commission on Weak States[60], would include the following components:

Investing in Prevention. Laying the foundations for long-term development is certainly the best way to ensure that weak states do not slide toward failure. Yet the ability of the United States to engage weak states strategically to support the building of durable, legitimate, and transparent institutions of government is limited. For instance, civilian agencies like USAID are largely precluded from providing capacity-building assistance to local law enforcement authorities thanks to a patchwork of Congressional restrictions and rigid internal legal practices. To take another example, there is no overarching strategy that governs the amount or prioritization of U.S. democracy promotion assistance to developing countries. The United States has also responded coolly to calls for it to join other bilateral and multilateral partners in addressing the links between extractive industries and corruption that have de-legitimized so many developing-country governments rich in natural resources.

Seizing Opportunities. It is not only the long-term institutional development efforts where U.S. policy falls short. The United States is similarly poorly situated to exploit short-term challenges and opportunities thanks to a lack of flexible instruments to provide timely, effective support to governments in the wake of regime change, post-conflict transition, or pre-crisis emergency. A common lament in Washington policy circles is the lack of "surge capacity" at the disposal of civilian agencies like USAID and the State Department. While the U.S. military is trained and equipped to address unforeseen contingencies at the drop of a hat, the civilian agencies of the U.S. government enjoy no comparable capacity. For instance, the U.S. government lacks the ability to make timely, symbolic down payments on longer-term goals such as debt relief and market access that can help boost the legitimacy and prestige of struggling governments. At the most basic level, there is not one flexible contingency account that would allow U.S. aid to flow unencumbered to respond to violent conflict or to support a new democratically-elected government. In November 2005, Congress rejected the administration's request for a $100 million conflict response fund to allow the State Department to respond to such challenges.

Organizational Effectiveness. To deploy U.S. policy instruments in a coherent and coordinated manner, the federal government needs a comprehensive strategy and institutional focal point for reversing state weakness and the slide towards failure. In the past year and a half, several agencies have attempted to exercise leadership in crafting policy responses to weak states. In mid-2004, the State Department established the Office of the Coordinator for Reconstruction and Stabilization to identify global hot spots and launch conflict prevention and recovery efforts.[61] In early 2005, USAID released its own "Fragile States Strategy" which outlines how the agency plans to revamp operating procedures to better tackle the challenges posed by state incapacity. Even the Pentagon has weighed in, by seeking to expand its role in delivering foreign assistance and drafting a strategy toward "ungoverned spaces" -- or stateless zones that might become havens for terrorists, insurgents, and criminals. What has been missing is a single integrated U.S.

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[60] Commission on Weak States and U.S. National Security, *On the Brink: Weak States and U.S. National Security* (Washington: Center for Global Development 2004).

[61] Stephen D. Krasner and Carlos Pascual, "Addressing State Failure," *Foreign Affairs* (July/August 2005), pp. 153-163.

government strategy toward poorly performing states, of the sort that Great Britain has recently devised, that integrates the "3 Ds" of U.S. engagement (diplomacy, development, and defense).

As is the case for building coherence across aid, trade, migration, and other policies, in implementing a strategy toward weak states, the U.S. government is hamstrung by the lack of cabinet-level leadership on development. Weak states are fundamentally a development problem. Today, only the president himself can be held accountable by Congress and citizens for the lack of any coherent strategy. That makes little sense from a practical point of view.

Working with Allies and International Institutions

Efforts to bolster weak states -- or to advance global development more generally -- cannot succeed if the United States seeks to go it alone. The final shortcoming of U.S. policy is this Administration's ambivalence about collaborating with other donor nations in addressing the problems of the world's poorest countries. America's recent preference for unilateral and bilateral action over multilateral cooperation is undercutting U.S. leadership in alleviating global poverty and the realization of broader U.S. foreign policy goals. It complicates U.S. efforts to leverage the contributions of fellow donors, increases transaction costs and inefficiency, strains the limited capacity of developing countries, and harms America's image in the world. The Administration, with support from Congress, needs to rediscover the benefits of collective action in today's changing global context.

The United States has historically taken leadership in shaping and financing the multilateral development banks and other multilateral channels such as the Global Fund to Fight AIDS, Tuberculosis and Malaria. But in the more difficult aspects of development collaboration and cooperation -- for example, in minimizing the administrative burden on beleaguered officials in aid-dependent countries -- the United States is getting increasingly bad marks.

As commendable as they are in their focus on performance, the Bush administration's two hallmark foreign aid initiatives, PEPFAR and the MCA, are compelled by administrative and legislative mandates to operate as lone rangers at the country level. At the same time, the decision to channel such a high volume of aid through these new aid programs limits the overall development impact of the United States, since the evidence indicates that development assistance that goes through multilateral institutions tends to be of higher quality.[62] The new bilateral spigots necessitate the creation of new in-country mechanisms to coordinate and deliver assistance, creating parallel aid structures that impose significant burdens on aid recipients. Such a tendency runs counter to the growing trend -- most notable among EU states -- to channel foreign aid through international institutions and mechanisms.[63]

Greater reliance on cooperation with other donors and especially through existing multilateral channels would better leverage U.S. resources for development, stimulating the contributions of

[62] See David Roodman, "An Index of Donor Performance," Center for Global Development Working Paper 67 (August 2005).
[63] Much of this trend, of course, reflects the tendency of European states to channel significant resources through the European Union development agency.

other countries and giving the United States more influence over how the total is spent. U.S. contributions to international institutions allow the United States to spread the costs of global public goods. For every 25 cents the United States spends within the UN framework, on average, it gets a dollar's worth of spending on a variety of global public goods, including for development purposes. The multiplier effect is even greater in U.S. contributions to the World Bank's International Development Association (IDA). The United States spends only 13 cents of every dollar deposited with this concessional window.

Finally, the tendency of the United States to implement its own foreign aid programs independently is undermining its longstanding reputation as a far-sighted leader committed to advance global, as opposed to simply its own narrow national, interests. The United States still has extensive influence in most international institutions, a legacy of the past, but this leverage may be declining as others question its commitment to multilateral cooperation. The U.S. attitude toward the United Nations has been particularly problematic in this regard. During the 1990s, the United States repeatedly withheld its annual assessed contributions to the UN, in a clumsy effort to impose reform on that organization, damaging the credibility of American leadership and the effectiveness of the world body. While the arrears crisis was ultimately resolved, both the Bush administration and Congress have been signaling a possible return to similar tactics. Equally worrisome, the U.S. permanent representative to the United Nations has recently suggested that the United States adopt an entirely voluntary approach to UN funding, permitting the US to pay only for those things that it likes. Such an *á la carte* approach undercuts the entire founding vision of the UN as a forum for diplomatic give and take, in which the pursuit of enlightened self-interest often requires compromises.

In part, the U.S. predisposition toward independent initiatives and bilateral aid programs reflects a delayed adjustment to the modern world. Unlike the Marshall Plan era, when the United States was the only development actor of significance, today it is only one of many players in an ever more crowded donor community that includes not only the European Union and the other wealthy members of the OECD but also new donor nations like China, as well as the Bretton Woods institutions, UN agencies and hundreds of non-governmental organizations. As Figure 3 shows, the U.S. share of global foreign aid has fallen from 59 percent in 1960 to only 21 percent today. No longer is it taken for granted that Americans will automatically set the development agenda. As the brouhaha over U.S. resistance to the phrase "Millennium Development Goals" indicates,[64] Washington has found it difficult to adjust to this new reality, which requires a more consensual form of leadership, a broader range of partnerships and a willingness to support and follow others when they have a compelling vision and a comparative advantage.

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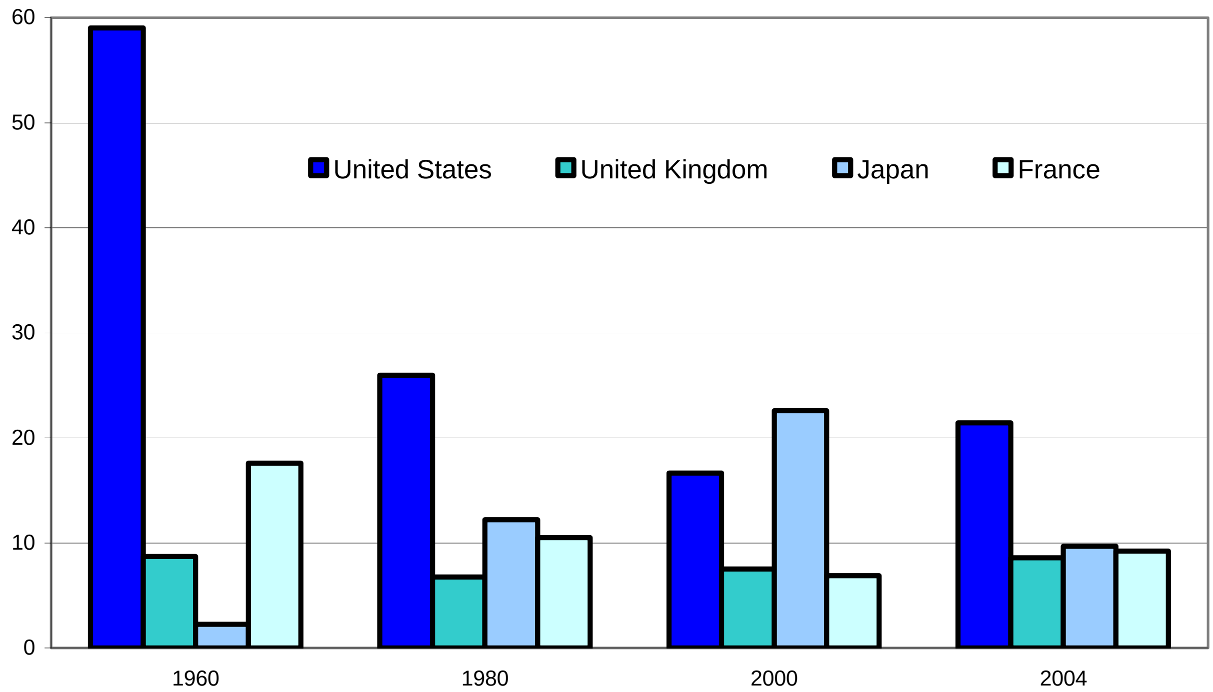
[64] Until September 2005, the Bush Administration alone among OECD donors avoided using the phrase "Millennium Development Goals," on the grounds that the United States had signed up to the 2000 Millennium Declaration, which enumerates these basic goals, but not to the precise targets and indicators that were subsequently elaborated by the UN and World Bank. The administration was particularly opposed to the target of 0.7% of ODA established for Goal 8, arguing that it wrongly emphasized an arbitrary quantity of donor assistance rather than the obligations of developing countries to improve their own governance. The preferred U.S. formulation, which the UN Ambassador to the United Nations attempted to insert in the draft consensus document prior to the September 2005 High Level Event, was "internationally agreed development goals outlined in the Millennium Declaration." At the September 2005 UN High Level Event, President Bush belatedly but explicitly endorsed the MDGs. "Aspirations and Obligations," *The Economist*, September 8, 2005.

The risk in Washington's current detached approach to multilateral cooperation is not that another country will assume leadership for advancing global development but, more likely, that there will be a vacuum of leadership, with dangerous consequences for world peace and prosperity.

A renewed U.S. commitment to multilateral cooperation in advancing global development would be consistent with the leadership the United States provided sixty years ago, at the close of the Second World War and the dawn of the Cold War. At a time of unmatched U.S. power and prestige, the architects of American foreign policy chose not to go it alone but to embed U.S. leadership within an array of international institutions -- including the IMF, World Bank, and United Nations -- in which like-minded countries could pursue their common purposes.

A similar commitment today would go well beyond channeling greater foreign assistance through the World Bank, UN agencies, and other institutions. It would also imply greater willingness to provide global public goods and to support collective action critical to the world's poor. This would include a constructive rather than defensive attitude to the problem of global climate change, which threatens the growth prospects and even viability of numerous poor countries; a willingness to support UN peacekeeping mandates with adequate resources and U.S. troops; and a readiness to make deep cuts in tariffs and subsidies that deprive the world's poor of the chance for a better livelihoods through agricultural and manufacturing exports. By embracing such strategies, the Bush Administration could give real meaning to its espoused support for "effective multilateralism" -- and prevent the historic legacy that the United States worked so hard to build from crumbling.

Figure 3: Shares of Total Net Official Development Assistance for Selected Countries 1960-2004 (%)



Note: Total net ODA includes bilateral and multilateral disbursements.
Source: OECD-DAC Database, Table 1.

Conclusion and Recommendations

The United States has a strong national interest in helping to alleviate global poverty and promote growth in the developing world. The US ability to achieve these goals, however, will remain limited as long as U.S. development policy: relies on aid that is too modest and too fragmented; fails to deploy non-aid tools to promote growth in poor countries; neglects the special challenges of weak and failing states; and insists on unilateral initiatives and bilateral channels at the expense of working through multilateral institutions.

If the Bush administration and Congress are serious about reforming development policy in a manner that promises to alleviate global poverty, they need to address these shortcomings head-on, by:

- Increasing not only the quantity but also the quality of U.S. development assistance, for instance by avoiding "tied" aid and consolidating the many aid windows into a more manageable number;

- Enhancing the coherence of U.S. development policy beyond aid itself, by creating a Cabinet-level Department for International Development that can ensure that the country's aid, trade, investment, migration, security, environment, and technology policies promote pro-poor growth in the developing world;

- Designing aid and other policy instruments specifically tailored for the challenges of fragile, failed and post-conflict states, so that development interventions are sensitive to conflict dynamics and support political reformers;

- Engaging more consistently and creatively with international institutions and mechanisms that can effectively leverage U.S. assistance, maximize the efficiency of international efforts, and generate diplomatic support for U.S. objectives

 Abstract The Center for Global Development is an independent, nonprofit policy research organization that is dedicated to reducing global poverty and inequality and to making globalization work for the poor. CGD is grateful to its funders and board of directors for support of this work. The authors thank David de Ferranti, Lawrence MacDonald, Gib Metcalf, Todd Moss, and Jake Schmidt for comments.Â In the remainder of this essay, we discuss the broad issues and then summarize what the guidelines likely would mean in practice. 1 Emily Saari, â€œFigueres: Time for World bank Coal Investment to End,â€ blog post April 24, 2013, http://tcktcktck.org/2013/04/figueres-time-for-world-bank-coal-investments-to-end/50799.